New Hampshire
Office of Energy & Planning

TAX INCREMENT FINANCING

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Some Examples
- ***Black Brook Park in Keene***
- ***Downtown Parking in Keene***
- ***Commercial Revitalization in Peterborough***

Tax Increment Financing (TIF) can be a powerful tool for funding necessary infrastructure improvements. TIF has until recently been used only by larger cities, but it is equally if not more valuable for New Hampshire's smaller communities.

What is TIF?

The (**F**)inancing of public improvements with the (**I**)ncremental (**T**)axes created either by new construction, expansion or renovation of property within a defined portion (district) of the community.

Suppose your historic down town needs improvements to maintain the existing tax base and also to attract new investments. Further suppose that this historic downtown is approved as a tax increment finance district at Town Meeting. After the TIF is established, the existing tax value of that district would continue to be distributed in the regular way (60-70% to schools, 6-8% to County, and the rest to the Town).

For example, suppose that over the next three years several properties within the TIF are extensively renovated, and there is now $2 million of additional tax value. A portion of the taxes from that new incremental value would be dedicated for use within the TIF district, rather than the normal general revenue distribution.

Once public improvements in the district have been paid for, the in creased tax value of the district would be come part of the general revenues of the town and benefit every one. *Nothing is taken away from any one, because the TIF district uses new money that is created by new investments. Existing tax dollars are unused and untouched.* And be cause 100% of the funds are available, bonds can be paid off much quicker than if general funds were used, which in most New Hampshire towns represent less than 30% of each new tax dollar (the rest going to the county and schools).

➢ *Black Brook*

As part of a comprehensive community planning effort, the City of Keene updated its Master Plan in the early 1990's. As part of this up date, the City of Keene rewrote the land use section of the plan and created a new economic development section of the plan as well. The economic development section established a goal of increasing the industrial portion of the city's tax base from 10% to 20% while the land use plan, which was developed in close cooperation with the Planning Department, identified several potential areas in the city where a new corporate park would be created.

One of the locations outlined in the Master Plan was ultimately identified as having more potential than any of the other alternative parcels. The site, which was approximately 350 acres in size, was located in the western part of the city and had a stream called Black Brook that meandered through the area. Engineering studies determined that it would cost approximately $4 million to extend sewer and water to the site, upgrade and expand the road sys tem, and take other necessary steps to open this area up for development.

In 1995, the regional economic development corporation, Keene Economic Development and Revitalization Corporation ("KEDRC"), came for ward and petitioned the City of Keene to rezone all of the proposed corporate park area to a new Corporate Park Zone and also petitioned the city to establish a tax increment finance district within the proposed park's boundaries. The city approved the zone change and set up the tax increment district but held off on issuing the bond needed to pay for the infrastructure until KEDRC recruited enough new businesses to the park that would generate enough new tax increment to cover the annual debt service on the $4 million bond.

Within a few months, KEDRC signed up five new businesses for the new park -- now named the Black Brook Corporate Park. The new tax increment that was expected from just one of these new companies, Sims Portex Inc., would spin off enough new tax revenue to cover the debt service on the bond. A development agreement between Sims and the City of Keene was signed. The agreement stated that the company would construct a new facility at the park and guarantee a minimum investment in the park, while the city would use the proceeds of the bond to build sewer, water and roads to and through the park. On the strength of that written agreement, the City Council agreed to issue the bond and the required improvements were then made by the city using the new taxes generated within the tax increment district to pay the debt service on the bond.

The park is now more than 75% full and the City of Keene is receiving taxes in excess of what is needed to make the bond payments. By the year 2000, in fact, the tax increment financing district will be home to over 13 new businesses which represents over $20 million in new tax increment. Approximately $9 million of tax increment was needed to service the debt on the bond. At full build out, the section of the park in the district will generate over $30 million in new tax increment. The excess tax revenues (the taxes generated form the difference between all of the new tax increment that will eventually exist in the district and the $9 million of increment needed to pay for the bond) will go to the general fund and, when the bond is paid off, all of the new taxes will go into the general fund and the tax increment financing district will be abolished.

This use of TIF was successful be cause of a strong and continuous level of cooperation between KEDRC and the city staff and officials. With out this kind of partnership Black Brook Industrial Park would not have happened.

- ***Downtown Parking Garage in Keene***

In the late 1980's, the City of Keene spent more than $3 million of general fund money to construct a major upgrade of its historic downtown area. This in turn attracted several million dollars of private sector investment that helped keep the downtown attractive and vital through that decade. In 1995, however, several downtown anchor businesses, including Sears, Woolworth, and a regional department store named Goodnows, closed their doors. As a result of these closings, many smaller store fronts that depended on traffic generated by the larger stores be came vacant as well. A local effort, spear headed by the Keene Downtown Revitalization Committee and subsequently KEDRC, moved for ward with a plan to renovate the empty buildings in downtown Keene and recruit new businesses and other uses for these properties.

In 1997, as part of its continuing downtown revitalization effort, KEDRC recruited a private hotel development firm that agreed to in vest several million dollars in the renovation of the building that formerly housed the Goodnows

Department Store. The developers planned to turn the distressed, historic property into an upscale 40-room hotel with a restaurant and meeting space. To help ensure the success of the hotel project and the other massive renovation projects under way in Downtown Keene, the developers of the hotel, KEDRDC, and the City of Keene agreed that a new parking garage with a limited number of leased parking spaces for the proposed hotel's guest and staff was needed. A preliminary study provided by KEDRC estimated that it would cost approximately $8,000 to $10,000 per space to construct a new parking garage.

KEDRC petitioned the City of Keene to set up a tax increment district to pay for the garage. The city ultimately concluded that tax increment financing was indeed the appropriate tool to use to fund the construction and created a Downtown Keene tax increment financing district. The plan for the district was to use the private investment dollars invested in the development of the hotel and the resultant new tax increment created, plus some of the new tax increment created from several other downtown revitalization projects in the tax increment district, to pay for the expenses associated with the construction of the new parking garage.

Before the city would issue the bond, however, the City Council wanted additional security to effectively guarantee that the city would have the resources to pay off the money borrowed to construct the parking deck even if the hotel project for some reason did not proceed and/or any other projects either underway or planned for the district did not create enough new tax increment/tax revenue to cover the bond payments. To solve this situation, the hotel developer signed a development agreement with the city that guaranteed a minimum amount of investment in the district and KEDRC, in addition to proceeding with the renovation of several other properties in the district, set aside a substantial pool of money to close, if necessary, any potential short fall experienced by the city related to the parking garage project.

As a result of these efforts, the parking garage is now completed and construction is under way on the downtown hotel. The former Sears and Wool worth buildings have been renovated and filled with new commercial, office, and retail tenants and the historic Colonial Theater has been rescued and rehabilitated. The tax increment resulting from renovation of an historic mill within the boundaries of the district will greatly exceed the amount of new tax increment needed to entirely fund the parking garage.

Again, cooperation and partnership between municipal officials and economic development authorities was essential to making TIF work.

➢ *Peterborough's Commercial Area TIF*

In Peterborough there is general agreement that commercial development should be encouraged to locate within the existing commercial core, rather than extending further on Route 101 or Route 202. This existing area includes both a historic down town and two shopping plazas. For this strategy to succeed, existing infrastructure, including water, drainage, parking, roads, street lights and landscaping all need to be repaired and/or upgraded.

By 1997 it was evident that substantial private sector investment would be taking place and the Town saw this as an opportunity to establish a TIF district. It appeared that renovation would be scattered throughout the core commercial area and that no single big project was likely to generate sufficient funds to pay off a large bond.

For that reason, the Peterborough TIF is quite different than the two previous Keene examples. This Greater Downtown TIF is more like a savings account. Once sufficient new tax value has been created, through a series of small and large improvements, then Town

Meeting will be asked to issue one or more bonds (or to authorize spending money directly from the TIF account). It is expected to take from between 4 and 8 years be fore sufficient funds are generated within the TIF district. The initial "plan" that is required in section 162-K:9 is very general in nature, as the Town waits for opportunities to emerge. A more specific improvement plan was scheduled for completion by the end of 1999.

Peterborough has also established a specific time frame for this TIF. It will expire on April 1, 2008 unless continued by Town Meeting vote.

It is important to note that Peterborough does not intend to just wait and see what happens. The Community Development Director has been designated as the District Administrator, has been as signed the task of identifying road and utility improvements that should be made, and to work with Downtown 2000, the Planning Board, the Chamber of Commerce and the Economic Development Authority in creating an attractive environment for private sector investments within the District.

The Town has or will shortly initiate several investigations to determine specific transportation and infrastructure improvements and will propose zoning changes and other actions to encourage new investment in this core commercial area. And TIF is only one of several tools that will be used to achieve the overall goal of sustained economic activity within the established commercial core.

What are the rules?

There are several of them, all listed in the State enabling legislation RSA Chapter 162-K. Some key provisions are listed here and the full legislation is included in the appendix.

- Any money raised within a TIF district must be spent within that same TIF district. Care must be taken to create a boundary which includes not only needed improvements but also includes sites that are likely to generate new taxes. Once a TIF district is established, a community has five (5) years to ad just the boundaries.
- Town Meeting or the City Council is in control of how TIF money is spent: TIF dollars must be spent consistent with an official plan for the district after that plan is approved by a majority vote at Town Meeting. The Official Plan is supposed to be prepared and presented by a district Advisory Board and a District Supervisor requiring a simple majority.
- There is no limit on the number of TIF districts a community can have (Keene presently has three) but there are restrictions.
- No TIF district can include more than 5% of a community's assessed value or more than 1.5% of a community's land area.
- All TIF districts combined cannot exceed 3% of the community's land area.

This sounds complicated! My community can't do this!

Unfortunately the legislation, which was established in the late 1970's, makes it seem very complicated. It is focusing on old concepts of urban renewal and much of the language was probably borrowed from a more urban state. And it does take some work. But any community can do it and you don't have to hire an expensive consulting firm to do it.

However, assistance may be needed. Small communities that have only a handful of staff may need to hire an accountant to set up the special records required. But that expense can be included as part of the TIF package and be paid for with TIF revenues, assuming the TIF is successful.

If TIF monies are spent to pay off a bond, then Bond counsel will be essential, but that would be the case no matter what source of revenue was to be used.

Most parts of the State now have not only Regional Planning Commissions but also Economic Development organizations which may be able to provide additional assistance.

Security: What if the TIF district doesn't generate new taxes?

Communities must use caution with any project that will create a long-term financial obligation, whether using TIF or general revenue funds.

- Just because you have a TIF district does not mean you have to spend the money. TIF is a tool to be used when the right opportunity arises, and not all situations are appropriate for its use.
- Establish as many safeguards as possible. Try not to rely upon a single project, and try to establish formal written development agreements with key development projects.
- Try to avoid using TIF for projects that have no benefit to the community other than for one specific project. Black Brook Industrial Park was not established for a single firm, but as a means of implementing an over all economic strategy. Additional downtown parking is needed in Keene even if the hotel is not constructed.

Combining TIF with other financing tools (hypothetical example)

A small town in northern New Hampshire has an exciting vision for renovating its historic downtown. A general revenue bond will be used to renovate the Town Hall. Sewer and Water rates will be increased and those funds will pay for upgrading downtown utilities. A Community Development Block Grant (CDBG) will be used to turn an old mill building into low-moderate income housing and a day-care center. Land and Water Conservation Funds will be used to create a new downtown river park. ISTEA enhancement funds will be utilized to develop a bicycle trail that leads from the down town to a major residential area using an abandoned railroad bed. This bike trail will at tract more shoppers to the Down town and provide an alternative commuter route during the summer months for downtown workers.

A reputable private developer likes these ideas and offers to construct a combination restaurant/downtown hotel in another abandoned mill building in the heart of the downtown. But he will need at least 50 parking spaces, which means that a parking deck must be constructed, and all of his resources are going into renovating the building. How will the parking be paid for? By using the in creased taxes the developer would be charged on his/her improved property to pay off a bond issued by the Town, as part of this package, to design and construct a parking deck.

Now this kind of package can take two or three years to put together, and the community may need an experienced, full-time staff person to keep track of every thing. But this example is by no means far-fetched. Financial packages as or more complicated than this example have been used in New Hampshire in recent years, both in the downtown area and as part of the creation of a new industrial park.

How do I get started?

➢ *The Peterborough Example*

In 1997 the Town's Community Development Director suggested that a Tax Increment Finance District could help to pay for needed infrastructure improvements in Peterborough's core commercial area. The Town's Economic Development Authority (EDA) agreed with this idea, as did the Town Administrator and Board of Selectmen. But some one had to take this idea and make it happen. It was decided that the EDA would take on that role. A subcommittee of EDA was formed to work with the Community Development Director and a general list of infrastructure improvements was developed.

Considerable time was then spent in mapping out a strategy. Several community groups such as Downtown 2000 and the Chamber of Commerce were asked to help. A general calendar of what needed to be done was then created, with the final goal being approval at March 1998 Town Meeting. Serious work started in September, a full seven months be fore Town Meeting.

A presentation was prepared which evaluated the economic condition of the Town and the importance of the core commercial area in assuring the Town's sustained economic prosperity. A map was drawn of the proposed district, and EDA members began to discuss the idea within the community. The Community Development Director was given the task of describing the TIF concept in the newspapers and making many of the formal public presentations. EDA members, as well as Chamber and Downtown 2000 members took on the all-important task of discussing this concept one on one throughout the community.

As people asked questions and raised concerns, the proposal was modified and improved. The Hillsborough County Commission approved the concept. However, the ConVal School District, which by law needed to be informed, was not certain that it wanted to support the idea. EDA members spent considerable time talking to individual members, in addition to three separate presentations to the District. Ultimately they also endorsed the concept.

Presentations were made to all of the community's service organizations, and an effort was made to contact each merchant within the district, seeking their support and answering their questions. Time was also spent with Town staff, discussing the concept and making sure that the required administrative systems would be in place. The result of this hard work was that the proposal received over whelming support at Town Meeting.

Summary

- Put some one in charge
- Define the needs
- Define the district
- Get input
- Sell the idea
- Work with the Schools (formal plus informal)
- Work with the County
- Work with the elected officials
- Work with the Chamber/Rotary, Planning
- Board, etc.
- Work with News media
- Create warrant article(s)
- Hold public hearing
- Obtain Town Meeting or City Council vote to adopt legislation
- Obtain Town Meeting or City Council vote to establish district
- Obtain Town Meeting or City Council vote to approve plan
- Appoint Advisory Committee and District Administrator
- At outset, plan how money will be accounted for
- Keep community informed
- Complete Plan
- Don't just hold public hearing . . . sell the plan, and revise as necessary
- Town Meeting or City Council vote for plan and for bond or $ by a simple majority

If this is such a good idea and has been permitted in New Hampshire since the late 1970's, how come more communities haven't used it?

That’s a very good question. In part, few communities have had the time to search through all of the RSA’s for financial options. It is helpful to have a professional staff person who is familiar with this approach, and until now only a few communities in the State have had some one responsible for community development. Some communities thought it would just be too hard. The real answer is that most communities have never heard of this concept.

There has to be a down side to this. What can go wrong? Why might a community not want to use tax increment financing?

TIF won’t work if there is not an increase in the taxable value of land and property within the TIF district. If no one renovates downtown buildings, their value may continue to decline. Likewise, if you can’t find an appropriate client for the proposed industrial park, there will be no money for the needed sewer and water lines. TIF can be a wonderful tool when private investment starts happening, but other tools may be needed to first prime the economic pump.

TIF is most often associated with bonds, but you can use the funds to directly pay for needed improvements. But if a bond is issued under a TIF program, say for 20 years, then the increased tax values upon which the bond payments are designed also must be maintained for 20 years. If some bright new idea comes to town, is a great success, and goes bankrupt after ten years, the bond still needs to be paid off. As with any significant investment decision the community has to think clearly, have contingencies, and not make commitments that are too risky. A proposal has to be sound whether or not TIF is used.

TIF is most effective when new private development won't take place without certain public improvements. If the private development is going to take place anyway, then the TIF district may be unnecessary.

How do I select the boundary of the district?

It is important to remember that you are looking for areas of the community where new development or redevelopment is likely to take place, while also looking for those locations where public improvements are needed. Since money raised within the district boundaries must be spent within those boundaries, there is a balancing act that may take some thought. One good feature of the State legislation is that if circumstances change, you can shift the boundaries of the District during the first 5 years after it is established.

Perhaps the year after the boundaries are drawn a developer suddenly proposes to invest $1 million dollars to rehabilitate an old building no one thought would ever be improved, and so it was not included in the district. At the next Town Meeting the boundary can be shifted to include this building, and its new incremental revenues, so long as the overall district does not exceed 5% of the tax base or 1.5% of the total land area of the town. In a similar fashion, perhaps a bridge or a dam just outside the district suddenly needs to be repaired. If the district boundary is adjusted, then TIF dollars can be used to meet that expense. Also remember, the Town can have more than one TIF district. It is often better to establish a separate district rather than try to make one district meet all the needs of the Town.

What about the 60% Rule?

When the TIF legislation was established, it was intended primarily as an urban tool, and the language of the law appears to have been borrowed from some other State. It included a requirement that 60% of a TIF district must already be developed. That had the impact of making this tool only available for downtown redevelopment projects, precluding its use for the majority of rural communities in New Hampshire.

At the request of the Town of Peterborough and its legislative representatives, the State legislature eliminated this requirement in 1998. Now any community can create a TIF district without having to include developed areas. For a proposed industrial park outside of the developed portions of a community, this revision will be especially important.

Is the TIF district a special taxing district?

One of the greatest concerns of property owners included in a TIF district is that this is some form of special assessment district and that people inside the TIF boundary will have to pay extra tax.

While special assessment districts can be an important community development tool, that is quite different than TIF. Taxpayers within the district won't know that they are in the district, and will be taxed just the same as any similar property within the community. The only difference is that any new tax revenue will be spent within the district, directly benefiting those who are paying the tax. Once people get used to the idea, it is not uncommon to have property owners ask to be included.

Does TIF take money away from the schools?

The simple answer is no. The whole purpose of a - TIF district is to stabilize, retain or expand the community's tax base, which is essential for maintaining adequate school funding.

The existing tax base is left untouched, assuring full funding of school, county and general fund needs. When the TIF district has served its purpose, the result is usually an expanded tax base, which makes it easier for the community to support its schools.

Because TIF only works with future potential taxes without disturbing existing funding, TIF has been fully supported by the school district in Keene. In Peterborough there were many questions and much discussion, but the ConVal School District has now also endorsed TIF.

Can I use TIF district funds for other municipal purposes outside the district in an emergency?

A community can use all of the new incremental taxes of a TIF district to fund the TIF plan. However, Section 162-K:10 (II) allows a community to allocate a portion of these new tax revenues back to the general fund.

A community may not "tap" the TIF bank for projects outside the district, but can divert some or most of the incremental revenues coming into the district to the general fund if needed. Section 162-K:10 (II) (b) anticipates that each year the municipality can review its financial situation and decide how to distribute the incremental revenues obtained during the previous year.

Section 162-K:9 (III) also allows communities to set up revenue sharing agreements with schools and/or the county, although such sharing tends to diminish the value and impact of the TIF concept.

Also, section 162-K:9 (IV) allows the legislative body (Town Meeting or Council) to modify the TIF plan, adjusting its purpose and focus. During the first five years of the district its boundaries can be modified.

Final thoughts

Tax Increment Financing is not some magic bullet that can make every community prosperous and every project a success. But it is also not some "trick". TIF can provide a means for financing needed infrastructure improvements which the general fund cannot afford, using "new" money that neither the schools, the county nor the taxpayers of the community are accustomed to. It doesn't take anything away from anyone.

Developers tend to like it because they can see the tax dollars which they will have to pay anyway, going towards something that is likely to more directly benefit their property.

Putting together a TIF program requires thought, time, and caution. The more information provided to the community, the greater its chance of success. It takes time and attention to detail, but any community can do it.

Good luck!

The author of this bulletin is Peter Ryner, Director of Economic Development in Peterborough. Contributing authors are Jack Dugan, Monadnock Economic Development Corporation; and Stuart T. Arnett, City of Claremont. Many thanks for their fine work. Editing and publishing was Facilitated by the New Hampshire Rural Development Council.

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TITLE XII
PUBLIC SAFETY AND WELFARE
CHAPTER 162-K
MUNICIPAL ECONOMIC DEVELOPMENT AND REVITALIZATION DISTRICTS

Section 162-K:1

162-K:1 Local Option. –

Any city or town may adopt this chapter and shall thereafter have all the authority, powers, duties and responsibilities set forth in this chapter.

I. A city may adopt this chapter by majority vote of the legislative body of the city after notice and hearing as set forth in RSA 162-K:4.

II. A town may adopt this chapter by majority vote of the voters present and voting at any legal town meeting under a proper article and after notice and hearing as set forth in RSA 162-K:4.

Source. 1979, 175:2, eff. Aug. 5, 1979.

Section 162-K:2

162-K:2 Definitions. – In this chapter:

I. "Budget submission date" has the meaning set forth under RSA 273-A:1, III.

II. "Development district" means a specific area within the corporate limits of any municipality which has been so designated and separately numbered by the legislative body of said municipality acting under this chapter.

III. "Development program" means a statement of objectives of the municipality for improvement of a development district established under RSA 162-K:6.

IV. "District administrator" means the head of the department, office agency, municipal housing and redevelopment authority or corporation designated under RSA 162-K:13.

V. "Governing body" means the board of aldermen or city council in the case of a city and the board of selectmen in the case of a town.

VI. "Legislative body" means the board of aldermen or city council in the case of a city and the town meeting in the case of a town.

VII. "Maintenance and operation" means all activities necessary to maintain facilities after they have been developed and all activities necessary to operate the facilities including but not limited to informational and educational programs, and safety and surveillance activities.

VIII. "Municipality" means a city or town.

IX. "Parking structure" means any building the principal use of which is designed for and intended for parking of motor vehicles, and includes open air parking on parking lots.

X. "Substantially residential development district" means any development district in which 40 percent or more of the land area, exclusive of streets and open space, is used for residential purposes at the time the district is designated.

XI. "Tax increment" means the amount of taxes raised in a development district due to increases in assessed value over the assessed value of the district at the time of its establishment.

Source. 1979, 175:2, eff. Aug. 5, 1979.

Section 162-K:3

162-K:3 Authorization; Initial Adoption. – A municipality which adopts this chapter shall thereafter be authorized to establish one or more development districts. For each such district, the municipality shall establish a development program and a tax increment financing plan. A municipality that has not previously adopted this chapter may carry out the planning and hearing procedures for establishment of one or more development districts at the same time it is conducting the planning and hearing

procedures on initial adoption of this chapter; provided that any vote on establishing a particular development district shall not be taken until after the legislative body shall have voted on the question of adopting this chapter.
Source. 1979, 175:2, eff. Aug. 5, 1979.

Section 162-K:4

162-K:4 Hearing. – Prior to adopting this chapter or designating any development district, a hearing on the subject shall be conducted in the municipality. The hearing shall be conducted by the governing body. The hearing shall be held at least 15 days prior to the date on which action on the proposal is scheduled to take place. Notice of the hearing, including a description of any proposed district, shall be posted in 2 appropriate places in the municipality or published in a newspaper of general circulation in the municipality at least 7 days prior to the hearing.
Source. 1979, 175:2, eff. Aug. 5, 1979.

Section 162-K:5

162-K:5 Establishment of Districts; Limitations. – Upon a finding that such action will serve public purposes, the legislative body of the municipality may create, within its jurisdiction, development districts. The area of a district may be enlarged following the date of designation of the district. Municipalities establishing development districts shall comply with one of the following limitations:

I. The total acreage included in any one development district when designated shall not exceed 5 percent of the total acreage of the municipality, and when added to the total current acreage within the development districts for which bonds remain outstanding shall not exceed 10 percent of the total acreage of the municipality.

II. The total assessed value of taxable real property of any one development district when designated shall not exceed 8 percent of the most recent total assessed value of taxable real property in the municipality, and when added to the current total assessed value of taxable real property within development districts for which bonds remain outstanding, shall not exceed 16 percent of the most recent total assessed value of taxable real property in the municipality.
Source. 1979, 175:2. 1985, 135:1. 1991, 362:10. 1998, 9:1, eff. May 29, 1998. 2004, 181:1, eff. July 31, 2004.

Section 162-K:6

162-K:6 District Establishment and Development Programs. – A municipality which has adopted this chapter and which intends to establish a development district shall, in addition to establishing the district, establish a development program under this section and a tax increment financing plan under RSA 162-K:9 and 10.

I. The development program shall contain a complete statement as to the public facilities to be constructed within the district, the open space to be created, the environmental controls to be applied, the proposed reuse of private property, and the proposed operations of the district after the capital improvements within the district have been completed.

II. The development program shall also provide for carrying out relocation of persons, families, business concerns, and others displaced by the project, pursuant to a relocation plan, including the method for the relocation of residents in decent, safe and sanitary dwelling accommodations, and reasonable moving costs, determined to be feasible by the municipality.

III. In conformity with the development program, within the district, the municipality may:

(a) Acquire, construct, reconstruct, improve, alter, extend, operate, maintain or promote developments aimed at improving the physical facilities, quality of life and quality of transportation;

(b) Acquire land or easements through negotiation or through powers of eminent domain;

(c) Adopt ordinances regulating the use of public parking structures and other facilities constructed within the development district and access to them and the conditions under which such access is allowed. Traffic regulations may include, but shall not be limited to, direction and speed of traffic, kinds of service activities that will be allowed in arcades, parking structures and plazas, and rates to be charged in the parking structures;

(d) Require construction of buildings within the district so as to accommodate and support pedestrian systems which are part of the program for the development district. When the municipality requires for the public benefit the construction of columns, beams or girders with greater strength than required for normal building purposes, the municipality shall reimburse the owner for the added expense from development district funds;

(e) Install lighting systems, street signs and street furniture, landscaping of street and public property, and snow removal systems compatible with the character of the district;

(f) Acquire property for the district;

(g) Lease air rights over public property and spend public funds for constructing the foundations and columns in the public buildings strong enough to support the buildings to be constructed on air rights;

(h) Lease all or portions of basements, ground and second floors of the public buildings constructed in the district; and

(i) Negotiate the sale or lease of property for private development if the development is consistent with the development program for the district.

Source. 1979, 175:2, eff. Aug. 5, 1979.

Section 162-K:7

162-K:7 Grants. – A municipality may accept grants or other financial assistance from the government of the United States, the state of New Hampshire or any other entity to do studies and to construct and operate the public improvements authorized by this chapter.

Source. 1979, 175:2, eff. Aug. 5, 1979.

Section 162-K:8

162-K:8 Issuance of Bonds. – The municipality may authorize, issue and sell general obligation bonds, which shall mature within 30 years from the date of issue, to finance the acquisition and betterment of real and personal property needed to carry out the development program within the development district together with all relocation costs incidental thereto. Bonds issued under authority of this chapter shall be payable in annual payments which shall be so arranged that the amount of annual payment of principal and interest in any year on account of any bond shall not be less than the amount of principal and interest payable in any subsequent year by more than 5 percent of the principal of the entire bond. The total amount of such payments shall be sufficient to extinguish the entire bond on account of which they are made at maturity. The first payment of principal on any bond shall be made no later than 5 years and the last payment not later than 30 years after the date thereof. Each authorized issue of bonds shall be a separate loan. All dedicated tax increments received by the municipality pursuant to RSA 162-K:10 shall be pledged for the payment of these bonds and used to reduce or cancel the taxes otherwise required to be extended for that purpose, and the bonds shall not be included when computing the municipality's net debt under RSA 33.

Source. 1979, 175:2. 2000, 280:1, eff. August 20, 2000.

Section 162-K:9

162-K:9 Tax Increment Financing Plan. – The municipality shall adopt a tax increment financing plan for any development district established under this chapter. The plan shall allocate use of tax increments for retirement of bonds and notes, operation, maintenance and improvements in the district and for general municipal purposes.

I. A tax increment financing plan shall contain a statement of objectives of a municipality for improvement of a development district. Such plan shall be incorporated into the development program for the district. It shall contain estimates of the following: cost of the development program; sources of revenues to finance those costs including estimates of tax increments; amount of bonded indebtedness to be incurred; and the duration of the program's existence. The plan shall also contain a statement of the estimated impact of tax increment financing on the assessed values of all taxing jurisdictions in which the district is located.

II. Before approving any tax increment financing plan, a public hearing shall be held as part of the hearing on the development district under RSA 162-K:4.

III. Before formation of a development district, the municipality shall provide a reasonable opportunity to the county commissioners of any county in which any portion of the development district is located and to the members of the school board of any school district in which any portion of the development district is located to meet with the governing body. The governing body shall fully inform the county commissioners and the school boards of the fiscal and economic implications of the proposed development district. The county commissioners and the school boards may present their recommendations at the public hearing. A municipality's tax increment financing plan may include agreements with the county commissioners and the school boards in which the district is located to share a portion of the captured tax increments of the district.

IV. A tax increment financing plan may be modified provided such modification shall be approved by the legislative body upon such notice and hearing and agreements as are required for approval of the original plan. Any modification shall maintain use of dedicated tax increments for retirement of bonds and notes as required.

Source. 1979, 175:2, eff. Aug. 5, 1979.

Section 162-K:10

162-K:10 Computation of Tax Increments. –

I. Upon formation of a development district, the assessors of the municipality in which it is situated shall determine the current assessed value of the real property within the boundaries of the development district. The current assessed value so determined shall be known as the "original assessed value." Property exempt from taxation at the time of the determination shall be included at zero, unless it later becomes taxable, in which case its most recently determined assessed valuation shall be included. Each year thereafter, the assessors shall determine the amount by which the assessed value has increased or decreased from the original assessed value. The assessors shall also determine the proportion which any increase or decrease bears to the total assessed value of the real property in that district for that year.

II. Any amount by which the current assessed value of a development district exceeds the original assessed value is referred to as the captured assessed value. The assessors shall determine the amount of the captured assessed value each year.

(a) The tax increment financing plan shall designate the portion of captured assessed value which will be dedicated for retirement of bonds and notes and the portion of captured assessed value which will be dedicated to the operation and further development of the tax increment financing district.

(b) The portion of captured assessed value which is not used either for the purpose of retirement of bonds and notes or for the purpose of the operation and development of the tax increment financing district shall be deemed excess captured assessed value. Excess captured assessed value shall be returned to the tax lists.

III. (a) Each subsequent year the assessors shall determine current assessed valuation, and tax increments and shall report them to the commissioner of the department of revenue administration according to the following method:

(1) If the municipality retains the full captured assessed value for the development district the assessors shall certify to the commissioner of revenue administration, for the purposes of the report required by RSA 41:15, the current assessed value, as the basis to equalize annually the valuation of property throughout the state, and the full captured assessed value, to be deducted from the current assessed valuation for the calculation of the property tax rate. The assessors shall extend all rates as established by the commissioner of revenue administration under the provisions of RSA 41:15 against the current assessed value, including all captured assessed value. In each year for which the current assessed value exceeds the original assessed value, the municipal tax collector shall remit to the municipality that proportion of all taxes paid that year on real property in the district which the captured assessed value bears to the total current assessed value. The amount so remitted each year is referred to in this section as the tax increment for that year.

(2) If the municipality retains only a portion of the captured assessed value for the development district and returns the remaining portion to the tax lists, the assessors shall include the current assessed value, to be used as a basis to equalize annually the valuation of property throughout the state, and that portion of the captured assessed value which the municipality does retain, to be deducted from the current assessed valuation for the calculation of the property tax rate. The assessors shall extend all rates against the total current assessed value. In each year for which the current assessed value exceeds the original assessed value, the municipal tax collector shall remit to the municipality that proportion of all taxes billed on real property in the district that the retained captured assessed value bears to the total current assessed value in the district. The amount so remitted each year is referred to as the tax increment.

(b) The general court finds that municipalities that have adopted a tax increment financing plan and issued tax increment financing plan bonds under this chapter before April 29, 1999, or which have adopted a tax increment financing plan and entered into contracts and incurred liabilities in reliance upon the tax increment plans under this chapter before April 29, 1999, have incurred obligations which must be honored. The general court recognizes also that in accordance with the intent of this chapter, such obligations were entered into in order to accomplish a public purpose and for the improvement of development in municipalities. Accordingly, the provisions of subparagraph III(a) shall not apply to tax increment financing plan districts which authorized and issued tax increment bonds under this chapter before April 29, 1999 or which adopted a tax increment financing plan under this chapter and entered into contracts and incurred financial liabilities in reliance upon such tax increment plan before April 29, 1999. This subparagraph shall only apply to tax development districts as they existed as of April 29, 1999. To the extent such tax increment financing plan is amended to increase the amount of bonded indebtedness, to increase the cost of the development program, or to extend the duration of the program's existence, this subparagraph shall not apply. The assessors shall determine assessed valuation and tax increments according to the following method:

(1) If the municipality retains the full captured assessed value for the development district, the assessors shall certify to the commissioner of revenue administration for the purposes of the report required by RSA 21-J:34, no more than the original assessed value of the real property in the development district. The assessors shall extend all rates as established by the commissioner of revenue administration under the provisions of RSA 21-J:35 against the current assessed value, including all captured assessed value. In each year for which the current assessed value exceeds the original assessed value, the municipal tax collector shall remit to the municipality that proportion of all taxes billed that year on real property in the district which the captured assessed value bears to the total current assessed value. That amount is referred to in this section as the tax increment for that year.

(2) If the municipality retains only a portion of the captured assessed value for the development district and returns the excess to the tax lists, the assessors shall certify to the commissioner of revenue administration for the purposes of the report required by RSA 21-J:34 the original assessed value and that portion of the captured assessed value which is shared with all the affected taxing districts for the purposes of determining the assessed value for computing property tax rates. The commissioner of revenue administration shall compute the rates of all taxes levied by the state, county, municipality, school district and every other taxing district in which the district is located on this aforementioned assessed value. The assessors shall extend all rates against the total current assessed value, including that portion of the captured assessed value which the municipality is retaining for the development district only. In each year for which the current assessed value exceeds that original assessed value, the municipal tax collector shall remit to the municipality that proportion of all taxes paid on real property in the district that the retained captured value bears to the total current assessed value in the district. That amount is referred to as the tax increment for that year.

(c) In any year in which the current assessed value of the development district is equal to or less than the original assessed value, the assessors shall compute and extend taxes against the current value. Taxes shall be distributed from the affected property to each of the taxing authorities as determined by the current levy and there is no tax increment.

IV. The municipality shall expend the tax increments received for any development program only in accordance with the tax increment financing plan. Tax increments shall be used only to pay off costs and administrative expenses incurred in developing the district.

Source. 1979, 175:2. 1999, 303:13. 2000, 222:1-3, eff. April 1, 2000.

Section 162-K:11

162-K:11 Annual Report. – The municipality's annual report shall contain a financial report for any development district in the municipality. The report shall include at least the following information: the amount and source of revenue of the district, the amount and purpose of expenditures, the amount of principal and interest on any outstanding bonded indebtedness, the original assessed value of the district, the captured assessed value retained by the district, the tax increments received and any additional information necessary to demonstrate compliance with the tax increment financing plan.

Source. 1979, 175:2, eff. Aug. 5, 1979.

Section 162-K:12

162-K:12 Maintenance and Operation. – Maintenance and operation of the systems and improvements constructed under this chapter shall be under the supervision of the district administrator. The cost of maintenance and operation of the non-revenue-producing facilities together with excess of costs of operation and maintenance of revenue-producing facilities, if any, shall be charged against the development district in which it is located. The charges against each property within the district shall be in proportion to the benefit to the properties within the district 60 days before the budget submission date. The district administrator shall submit to the governing body of the municipality the maintenance and operating budget for the following year, and the prorated share of the budget to be charged to each property in the district. The budget for the district as approved by the municipality shall contain necessary appropriations and provisions for collecting charges against affected properties in the district.

Source. 1979, 175:2, eff. Aug. 5, 1979.

Section 162-K:13

162-K:13 Administration. – The municipality may create a department or designate an existing department or office or agency or municipal housing and redevelopment authority, or form a corporation under RSA 292, to administer development districts. The district administrator may, subject to such rules and limitations as may be adopted by the governing or legislative body, be granted the power to:

I. Acquire property or easements through negotiations;

II. Enter into operating contracts on behalf of the municipality for operation of any of the facilities authorized to be constructed under this chapter;

III. Lease space to private individuals or corporations within the buildings constructed under this chapter;

IV. Lease or sell land and lease or sell air rights over structures constructed under this chapter;

V. Enter into contracts for construction of several facilities or portions thereof authorized under this chapter;

VI. Contract with the housing and redevelopment authority of the municipality for the administration of any or all of the provisions of this chapter;

VII. Certify to the governing body of the municipality, for acquisition through eminent domain, property that cannot be acquired by negotiation, but is required for implementation of the development program;

VIII. Certify to the governing body of the municipality the amount of funds, if any, which must be raised through sale of bonds to finance the program for development districts;

IX. Apply for grants from the government of the United States or other source.

Source. 1979, 175:2, eff. Aug. 5, 1979.

Section 162-K:14

162-K:14 Advisory Board. –

I. The legislative body of the municipality shall create an advisory board for each development district. The board shall consist of such number of members appointed or elected as determined by the legislative body. A majority of members shall be owners or occupants of real property within or adjacent to the development district. In a substantially residential development district, however, the board shall consist solely of owners or occupants of real property within or adjacent to the district.

II. The advisory board shall advise the governing body and district administrator on planning, construction and implementation of the development program and on maintenance and operation of the district after the program has been completed.

III. The governing body shall by resolution delineate the respective powers and duties of the advisory board and the planning staff or agency. The resolution shall establish reasonable time limits for consultation by the advisory board on the phases of the development program, and provide a mechanism for appealing to the governing body for a final decision when conflicts arise between the advisory board and the planning staff or agency, regarding the development program in its initial and subsequent stages.

Source. 1979, 175:2, eff. Aug. 5, 1979.

Section 162-K:15

162-K:15 Relocation. – Unless they desire otherwise, provision shall be made for relocation of all persons who would be displaced by a proposed development district prior to displacement in accordance with the provisions of RSA 162-K:6. Prior to undertaking any relocation of displaced persons, the municipality shall insure that housing and other facilities of at least comparable quality be made available to the persons to be displaced.

Source. 1979, 175:2, eff. Aug. 5, 1979.